

**ESTATE OF MARGARITA D. CABACUNGAN, REPRESENTED BY LUZ LAIGO-ALI, PETITIONER, VS. MARILOU LAIGO, PEDRO ROY LAIGO, STELLA BALAGOT AND SPOUSES MARIO B. CAMPOS AND JULIA S. CAMPOS, ...***G.R. No. 175073. August 15, 2011*

Ponente: PERALTA, J.

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This Petition for Review under Rule 45 of the Rules of Court assails the October 13, 2006 Decision[1] of the Court of Appeals in CA-G.R. CV No. 72371. The assailed decision affirmed the July 2, 2001 judgment[2] rendered by the Regional Trial Court of La Union, Branch 33 in Civil Case No. 1031-BG - a complaint for annulment of sale of real property, recovery of ownership and possession, cancellation of tax declarations and damages filed by Margarita Cabacungan,[3] represented by her daughter, Luz Laigo-Ali against Marilou Laigo and Pedro Roy Laigo, respondents herein, and against Estella Balagot,[4] and the spouses Mario and Julia Campos.

The facts follow.

Margarita Cabacungan (Margarita) owned three parcels of unregistered land in Paringao and in Baccuit, Bauang, La Union, each measuring 4,512 square meters, 1,986 square meters and 3,454 square meters. The properties were individually covered by tax declaration all in her name.[5] Sometime in 1968, Margarita's son, Roberto Laigo, Jr. (Roberto), applied for a non-immigrant visa to the United States, and to support his application, he allegedly asked Margarita to transfer the tax declarations of the properties in his name.[6] For said purpose, Margarita, unknown to her other children, executed an Affidavit of Transfer of Real Property whereby the subject properties were transferred by donation to Roberto.[7] Not long after, Roberto's visa was issued and he was able to travel to the U.S. as a tourist and returned in due time. In 1979, he adopted respondents Pedro Laigo (Pedro) and Marilou Laigo (Marilou),[8] and then he married respondent Estella Balagot.

In July 1990, Roberto sold the 4,512 sq m property in Baccuit to the spouses Mario and Julia Campos for P23,000.00.[9] Then in August 1992, he sold the 1,986 sq m and 3,454 sq m lots in Paringao, respectively, to Marilou for P100,000.00 and to Pedro for P40,000.00.[10] Allegedly, these sales were not known to Margarita and her other children.[11]

It was only in August 1995, at Roberto's wake, that Margarita came to know of the sales as told by Pedro himself.[12] In February 1996, Margarita, represented by her daughter, Luz, instituted the instant complaint for the annulment of said sales and for the recovery of ownership and possession of the subject properties as well as for the cancellation of Ricardo's tax declarations. Margarita admitted having accommodated Roberto's request for the transfer of the properties to his name, but pointed out that the arrangement was only for the specific purpose of supporting his U.S. visa application. She emphasized that she never intended to divest herself of ownership over the subject lands and, hence, Roberto had no right to sell them to respondents and the Spouses Campos. She

likewise alleged that the sales, which were fictitious and simulated considering the gross inadequacy of the stipulated price, were fraudulently entered into by Roberto. She imputed bad faith to Pedro, Marilou and the Spouses Campos as buyers of the lots, as they supposedly knew all along that Roberto was not the rightful owner of the properties.[13] Hence, she principally prayed that the sales be annulled; that Roberto's tax declarations be cancelled; and that the subject properties be reconveyed to her.[14]

The Spouses Campos advanced that they were innocent purchasers for value and in good faith, and had merely relied on Roberto's representation that he had the right to sell the property; and that, hence, they were not bound by whatever agreement entered by Margarita with her son. They posited that the alleged gross inadequacy of the price would not invalidate the sale absent a vitiation of consent or proof of any other agreement. Further, they noted that Margarita's claim was already barred by prescription and laches owing to her long inaction in recovering the subject properties. Finally, they believed that inasmuch as Roberto had already passed away, Margarita must have, instead, directed her claim against his estate.[15]

In much the same way, Marilou and Pedro,[16] who likewise professed themselves to be buyers in good faith and for value, believed that Margarita's cause of action had already been barred by laches, and that even assuming the contrary, the cause of action was nevertheless barred by prescription as the same had accrued way back in 1968 upon the execution of the affidavit of transfer by virtue of which an implied trust had been created. In this regard, they emphasized that the law allowed only a period of ten (10) years within which an action to recover ownership of real property or to enforce an implied trust thereon may be brought, but Margarita merely let it pass.[17]

On February 3, 1999, prior to pre-trial, Margarita and the Spouses Campos amicably entered into a settlement whereby they waived their respective claims against each other.[18] Margarita died two days later and was forthwith substituted by her estate.[19] On February 8, 1999, the trial court rendered a Partial Decision[20] approving the compromise agreement and dismissing the complaint against the Spouses Campos. Forthwith, trial on the merits ensued with respect to Pedro and Marilou.

On July 2, 2001, the trial court rendered judgment dismissing the complaint as follows:

WHEREFORE, in view of the foregoing considerations, the complaint is DISMISSED.[21]

The trial court ruled that the 1968 Affidavit of Transfer operated as a simple transfer of the subject properties from Margarita to Roberto. It found no express trust created between Roberto and Margarita by virtue merely of the said document as there was no evidence of another document showing Roberto's undertaking to return the subject properties. Interestingly, it concluded that, instead, an "implied or constructive trust" was created between the parties, as if affirming that there was indeed an agreement - albeit unwritten - to have the properties returned to Margarita in due time. [22]

Moreover, the trial court surmised how Margarita could have failed to recover the subject properties from Roberto at any time between 1968, following the execution of the Affidavit of Transfer, and Roberto's return from the United States shortly thereafter. Finding Margarita guilty of laches by such inaction, the trial court barred recovery from respondents who were found to have acquired the properties supposedly in good faith and for value.[23] It also pointed out that recovery could no longer be pursued in this case because Margarita had likewise exhausted the ten-year prescriptive period for reconveyance based on an implied trust which had commenced to run in 1968 upon the execution of the Affidavit of Transfer.[24] Finally, it emphasized that mere inadequacy of the price as alleged would not be a sufficient ground to annul the sales in favor of Pedro and Marilou absent any defect in consent.[25]

Aggrieved, petitioner appealed to the Court of Appeals which, on October 13, 2006, affirmed the trial court's

disposition. The appellate court dismissed petitioner's claim that Roberto was merely a trustee of the subject properties as there was no evidence on record supportive of the allegation that Roberto merely borrowed the properties from Margarita upon his promise to return the same on his arrival from the United States. Further, it hypothesized that granting the existence of an implied trust, still Margarita's action thereunder had already been circumscribed by laches. [26]

Curiously, while the appellate court had found no implied trust relation in the transaction between Margarita and Roberto, nevertheless, it held that the ten-year prescriptive period under Article 1144 of the Civil Code, in relation to an implied trust created under Article 1456, had already been exhausted by Margarita because her cause of action had accrued way back in 1968; and that while laches and prescription as defenses could have availed against Roberto, the same would be unavailing against Pedro and Marilou because the latter were supposedly buyers in good faith and for value.[27] It disposed of the appeal, thus:

WHEREFORE, the Appeal is hereby DENIED. The assailed Decision dated 2 July 2001 of the Regional Trial Court of Bauang, La Union, Branch 33 is AFFIRMED.

SO ORDERED.[28]

Hence, the instant recourse imputing error to the Court of Appeals in holding: (a) that the complaint is barred by laches and prescription; (b) that the rule on innocent purchaser for value applies in this case of sale of unregistered land; and (c) that there is no evidence to support the finding that there is an implied trust created between Margarita and her son Roberto.[29]

Petitioner posits that the Court of Appeals should not have haphazardly applied the doctrine of laches and failed to see that the parties in this case are bound by familial ties. They assert that laches must not be applied when an injustice would result from it. Petitioner believes that the existence of such confidential relationship precludes a finding of unreasonable delay on Margarita's part in enforcing her claim, especially in the face of Luz's testimony that she and Margarita had placed trust and confidence in Roberto. Petitioner also refutes the Court of Appeals' finding that there was a donation of the properties to Roberto when the truth is that the subject properties were all that Margarita possessed and that she could not have failed to provide for her other children nor for means by which to support herself. It reiterates that the transfer to Roberto was only an accommodation so that he could submit proof to support his U.S. visa application.

On the issue of prescription, petitioner advances that it runs from the time Roberto, as trustee, has repudiated the trust by selling the properties to respondents in August 15, 1992; that hence, the filing of the instant complaint in 1996 was well within the prescriptive period. Finally, petitioner states that whether a buyer is in good or bad faith is a matter that attains relevance in sales of registered land, as corollary to the rule that a purchaser of unregistered land uninformed of the seller's defective title acquires no better right than such seller.

Respondents stand by the ruling of the Court of Appeals. In their Comment, they theorize that if indeed Margarita and Roberto had agreed to have the subject properties returned following the execution of the Affidavit of Transfer, then there should have been a written agreement evincing such intention of the parties. They note that petitioner's reliance on the Affidavit of Transfer as well as on the alleged unwritten agreement for the return of the properties must fail, simply because they are not even parties to it. Be that as it may, the said document had effectively transferred the properties to Roberto who, in turn, had acquired the full capacity to sell them, especially since these properties could well be considered as Roberto's inheritance from Margarita who, on the contrary, did have other existing properties in her name. Moreover, they believe that the liberal application of the rule on laches between family members does not apply in the instant case because there is no fiduciary relationship and privity between them and Margarita.

There is merit in the petition.

To begin with, the rule is that the latitude of judicial review under Rule 45 generally excludes factual and evidentiary reevaluation, and the Court ordinarily abides by the uniform conclusions of the trial court and the appellate court. Yet, in the case at bar, while the courts below have both arrived at the dismissal of petitioner's complaint, there still remains unsettled the ostensible incongruence in their respective factual findings. It thus behooves us to be thorough both in reviewing the records and in appraising the evidence, especially since an opposite conclusion is warranted and, as will be shown, justified.

A trust is the legal relationship between one person having an equitable ownership of property and another person owning the legal title to such property, the equitable ownership of the former entitling him to the performance of certain duties and the exercise of certain powers by the latter.[30] Trusts are either express or implied.[31] Express or direct trusts are created by the direct and positive acts of the parties, by some writing or deed, or will, or by oral declaration in words evincing an intention to create a trust.[32] Implied trusts - also called "trusts by operation of law," "indirect trusts" and "involuntary trusts" - arise by legal implication based on the presumed intention of the parties or on equitable principles independent of the particular intention of the parties.[33] They are those which, without being expressed, are deducible from the nature of the transaction as matters of intent or, independently of the particular intention of the parties, as being inferred from the transaction by operation of law basically by reason of equity.[34]

Implied trusts are further classified into constructive trusts and resulting trusts. Constructive trusts, on the one hand, come about in the main by operation of law and not by agreement or intention. They arise not by any word or phrase, either expressly or impliedly, evincing a direct intention to create a trust, but one which arises in order to satisfy the demands of justice.[35] Also known as trusts ex maleficio, trusts ex delicto and trusts de son tort, they are construed against one who by actual or constructive fraud, duress, abuse of confidence, commission of a wrong or any form of unconscionable conduct, artifice, concealment of questionable means, or who in any way against equity and good conscience has obtained or holds the legal right to property which he ought not, in equity and good conscience, hold and enjoy.[36] They are aptly characterized as "fraud-rectifying trust,"[37] imposed by equity to satisfy the demands of justice[38] and to defeat or prevent the wrongful act of one of the parties.[39] Constructive trusts are illustrated in Articles 1450, 1454, 1455 and 1456.[40]

On the other hand, resulting trusts arise from the nature or circumstances of the consideration involved in a transaction whereby one person becomes invested with legal title but is obligated in equity to hold his title for the benefit of another. This is based on the equitable doctrine that valuable consideration and not legal title is determinative of equitable title or interest and is always presumed to have been contemplated by the parties.[41] Such intent is presumed as it is not expressed in the instrument or deed of conveyance and is to be found in the nature of their transaction.[42] Implied trusts of this nature are hence describable as "intention-enforcing trusts." [43] Specific examples of resulting trusts may be found in the Civil Code, particularly Articles 1448, 1449, 1451, 1452 and 1453.[44]

Articles 1448 to 1456 of the Civil Code enumerate cases of implied trust, but the list according to Article 1447 is not exclusive of others which may be established by the general law on trusts so long as the limitations laid down in Article 1442 are observed,[45] that is, that they be not in conflict with the New Civil Code, the Code of Commerce, the Rules of Court and special laws.[46]

While resulting trusts generally arise on failure of an express trust or of the purpose thereof, or on a conveyance to one person upon a consideration from another (sometimes referred to as a "purchase-money resulting trust"), they may also be imposed in other circumstances such that the court, shaping judgment in its most efficient form and

preventing a failure of justice, must decree the existence of such a trust.[47] A resulting trust, for instance, arises where, there being no fraud or violation of the trust, the circumstances indicate intent of the parties that legal title in one be held for the benefit of another.[48] It also arises in some instances where the underlying transaction is without consideration, such as that contemplated in Article 1449[49] of the Civil Code. Where property, for example, is gratuitously conveyed for a particular purpose and that purpose is either fulfilled or frustrated, the court may affirm the resulting trust in favor of the grantor or transferor,[50] where the beneficial interest in property was not intended to vest in the grantee.[51]

Intention - although only presumed, implied or supposed by law from the nature of the transaction or from the facts and circumstances accompanying the transaction, particularly the source of the consideration - is always an element of a resulting trust[52] and may be inferred from the acts or conduct of the parties rather than from direct expression of conduct.[53] Certainly, intent as an indispensable element, is a matter that necessarily lies in the evidence, that is, by evidence, even circumstantial, of statements made by the parties at or before the time title passes.[54] Because an implied trust is neither dependent upon an express agreement nor required to be evidenced by writing,[55] Article 1457[56] of our Civil Code authorizes the admission of parole evidence to prove their existence. Parole evidence that is required to establish the existence of an implied trust necessarily has to be trustworthy and it cannot rest on loose, equivocal or indefinite declarations.[57]

Thus, contrary to the Court of Appeals' finding that there was no evidence on record showing that an implied trust relation arose between Margarita and Roberto, we find that petitioner before the trial court, had actually adduced evidence to prove the intention of Margarita to transfer to Roberto only the legal title to the properties in question, with attendant expectation that Roberto would return the same to her on accomplishment of that specific purpose for which the transaction was entered into. The evidence of course is not documentary, but rather testimonial.

We recall that the complaint before the trial court alleged that the 1968 Affidavit of Transfer was executed merely to accommodate Roberto's request to have the properties in his name and thereby produce proof of ownership of certain real properties in the Philippines to support his U.S. visa application. The agreement, the complaint further stated, was for Margarita to transfer the tax declarations of the subject properties to Roberto for the said purpose and without the intention to divest her of the rights of ownership and dominion.[58] Margarita, however, died before trial on the merits ensued;[59] yet the allegation was substantiated by the open-court statements of her daughter, Luz, and of her niece, Hilaria Costales (Hilaria), a disinterested witness.

In her testimony, Luz, who affirmed under oath her own presence at the execution of the Affidavit of Transfer, described the circumstances under which Margarita and Roberto entered into the agreement. She narrated that Roberto had wanted to travel to the U.S and to show the embassy proof of his financial capacity, he asked to "borrow" from Margarita the properties involved but upon the condition that he would give them back to her upon his arrival from the United States. She admitted that Roberto's commitment to return the properties was not put in writing because they placed trust and confidence in him, and that while she had spent most of her time in Mindanao since she married in 1956, she would sometimes come to La Union to see her mother but she never really knew whether at one point or another her mother had demanded the return of the properties from Roberto.[60] She further asserted that even after Roberto's arrival from the United States, it was Margarita who paid off the taxes on the subject properties and that it was only when her health started to deteriorate that Roberto had taken up those obligations.[61] Hilaria's testimony ran along the same line. Like Luz, she was admittedly present at the execution of the Affidavit of Transfer which took place at the house she shared with Jacinto Costales, the notarizing officer who was her own brother. She told that Roberto at the time had wanted to travel to the U.S. but did not have properties in the Philippines which he could use to back up his visa application; as accommodation, Margarita "lent" him the tax declarations covering the properties but with the understanding that

upon his return he would give them back to Margarita. She professed familiarity with the properties involved because one of them was actually sitting close to her own property.[62]

While indeed at one point at the stand both of Luz's and Hilaria's presence at the execution of the affidavit had been put to test in subtle interjections by respondents' counsel to the effect that their names and signatures did not appear in the Affidavit of Transfer as witnesses, this, to our mind, is of no moment inasmuch as they had not been called to testify on the fact of, or on the contents of, the Affidavit of Transfer or its due execution. Rather, their testimony was offered to prove the circumstances surrounding its execution - the circumstances from which could be derived the unwritten understanding between Roberto and Margarita that by their act, no absolute transfer of ownership would be effected. Besides, it would be highly unlikely for Margarita to institute the instant complaint if it were indeed her intention to vest in Roberto, by virtue of the Affidavit of Transfer, absolute ownership over the covered properties.

It is deducible from the foregoing that the inscription of Roberto's name in the Affidavit of Transfer as Margarita's transferee is not for the purpose of transferring ownership to him but only to enable him to hold the property in trust for Margarita. Indeed, in the face of the credible and straightforward testimony of the two witnesses, Luz and Hilaria, the probative value of the ownership record forms in the names of respondents, together with the testimony of their witness from the municipal assessor's office who authenticated said forms, are utterly minimal to show Roberto's ownership. It suffices to say that respondents did not bother to offer evidence that would directly refute the statements made by Luz and Hilaria in open court on the circumstances underlying the 1968 Affidavit of Transfer.

As a trustee of a resulting trust, therefore, Roberto, like the trustee of an express passive trust, is merely a depositary of legal title having no duties as to the management, control or disposition of the property except to make a conveyance when called upon by the cestui que trust.[63] Hence, the sales he entered into with respondents are a wrongful conversion of the trust property and a breach of the trust. The question is: May respondents now be compelled to reconvey the subject properties to petitioner? We rule in the affirmative.

Respondents posit that petitioner's claim may never be enforced against them as they had purchased the properties from Roberto for value and in good faith. They also claim that, at any rate, petitioner's cause of action has accrued way back in 1968 upon the execution of the Affidavit of Transfer and, hence, with the 28 long years that since passed, petitioner's claim had long become stale not only on account of laches, but also under the rules on extinctive prescription governing a resulting trust. We do not agree.

First, fundamental is the rule in land registration law that the issue of whether the buyer of realty is in good or bad faith is relevant only where the subject of the sale is registered land and the purchase was made from the registered owner whose title to the land is clean, in which case the purchaser who relies on the clean title of the registered owner is protected if he is a purchaser in good faith and for value.[64] Since the properties in question are unregistered lands, respondents purchased the same at their own peril. Their claim of having bought the properties in good faith, i.e., without notice that there is some other person with a right to or interest therein, would not protect them should it turn out, as it in fact did in this case, that their seller, Roberto, had no right to sell them.

Second, the invocation of the rules on limitation of actions relative to a resulting trust is not on point because the resulting trust relation between Margarita and Roberto had been extinguished by the latter's death. A trust, it is said, terminates upon the death of the trustee, particularly where the trust is personal to him.[65] Besides, prescription and laches, in respect of this resulting trust relation, hardly can impair petitioner's cause of action. On the one hand, in accordance with Article 1144[66] of the Civil Code, an action for reconveyance to enforce an

implied trust in one's favor prescribes in ten (10) years from the time the right of action accrues, as it is based upon an obligation created by law.[67] It sets in from the time the trustee performs unequivocal acts of repudiation amounting to an ouster of the cestui que trust which are made known to the latter.[68] In this case, it was the 1992 sale of the properties to respondents that comprised the act of repudiation which, however, was made known to Margarita only in 1995 but nevertheless impelled her to institute the action in 1996 - still well within the prescriptive period. Hardly can be considered as act of repudiation Roberto's open court declaration which he made in the 1979 adoption proceedings involving respondents to the effect that he owned the subject properties,[69] nor even the fact that he in 1977 had entered into a lease contract on one of the disputed properties which contract had been subject of a 1996 decision of the Court of Appeals.[70] These do not suffice to constitute unequivocal acts in repudiation of the trust.

On the other hand, laches, being rooted in equity, is not always to be applied strictly in a way that would obliterate an otherwise valid claim especially between blood relatives. The existence of a confidential relationship based upon consanguinity is an important circumstance for consideration; hence, the doctrine is not to be applied mechanically as between near relatives.[71] *Adaza v. Court of Appeals*[72] held that the relationship between the parties therein, who were siblings, was sufficient to explain and excuse what would otherwise have been a long delay in enforcing the claim and the delay in such situation should not be as strictly construed as where the parties are complete strangers vis-a-vis each other; thus, reliance by one party upon his blood relationship with the other and the trust and confidence normally connoted in our culture by that relationship should not be taken against him. Too, *Sotto v. Teves*[73] ruled that the doctrine of laches is not strictly applied between near relatives, and the fact that the parties are connected by ties of blood or marriage tends to excuse an otherwise unreasonable delay.

Third, there is a fundamental principle in agency that where certain property entrusted to an agent and impressed by law with a trust in favor of the principal is wrongfully diverted, such trust follows the property in the hands of a third person and the principal is ordinarily entitled to pursue and recover it so long as the property can be traced and identified, and no superior equities have intervened. This principle is actually one of trusts, since the wrongful conversion gives rise to a constructive trust which pursues the property, its product or proceeds, and permits the beneficiary to recover the property or obtain damages for the wrongful conversion of the property. Aptly called the "trust pursuit rule," it applies when a constructive or resulting trust has once affixed itself to property in a certain state or form.[74]

Hence, a trust will follow the property - through all changes in its state and form as long as such property, its products or its proceeds, are capable of identification, even into the hands of a transferee other than a bona fide purchaser for value, or restitution will be enforced at the election of the beneficiary through recourse against the trustee or the transferee personally. This is grounded on the principle in property law that ownership continues and can be asserted by the true owner against any withholding of the object to which the ownership pertains, whether such object of the ownership is found in the hands of an original owner or a transferee, or in a different form, as long as it can be identified.[75] Accordingly, the person to whom is made a transfer of trust property constituting a wrongful conversion of the trust property and a breach of the trust, when not protected as a bona fide purchaser for value, is himself liable and accountable as a constructive trustee. The liability attaches at the moment of the transfer of trust property and continues until there is full restoration to the beneficiary. Thus, the transferee is charged with, and can be held to the performance of the trust, equally with the original trustee, and he can be compelled to execute a reconveyance.[76]

This scenario is characteristic of a constructive trust imposed by Article 1456[77] of the Civil Code, which impresses upon a person obtaining property through mistake or fraud the status of an implied trustee for the benefit of the person from whom the property comes. Petitioner, in laying claim against respondents who are

concededly transferees who professed having validly derived their ownership from Roberto, is in effect enforcing against respondents a constructive trust relation that arose by virtue of the wrongful and fraudulent transfer to them of the subject properties by Roberto.

*Aznar Brother Realty Co. v. Aying*,<sup>[78]</sup> citing *Buan Vda. de Esconde v. Court of Appeals*,<sup>[79]</sup> explained this form of implied trust as follows:

A deeper analysis of Article 1456 reveals that it is not a trust in the technical sense for in a typical trust, confidence is reposed in one person who is named a trustee for the benefit of another who is called the cestui que trust, respecting property which is held by the trustee for the benefit of the cestui que trust. A constructive trust, unlike an express trust, does not emanate from, or generate a fiduciary relation. While in an express trust, a beneficiary and a trustee are linked by confidential or fiduciary relations, in a constructive trust, there is neither a promise nor any fiduciary relation to speak of and the so-called trustee neither accepts any trust nor intends holding the property for the beneficiary.

x x x x

x x x [C]onstructive trusts are created by the construction of equity in order to satisfy the demands of justice and prevent unjust enrichment. They arise contrary to intention against one who, by fraud, duress or abuse of confidence, obtains or holds the legal right to property which he ought not, in equity and good conscience, to hold.<sup>[80]</sup>

It is settled that an action for reconveyance based on a constructive implied trust prescribes in 10 years likewise in accordance with Article 1144 of the Civil Code. Yet not like in the case of a resulting implied trust and an express trust, prescription supervenes in a constructive implied trust even if the trustee does not repudiate the relationship. In other words, repudiation of said trust is not a condition precedent to the running of the prescriptive period.<sup>[81]</sup>

As to when the prescriptive period commences to run, *Crisostomo v. Garcia*<sup>[82]</sup> elucidated as follows:

When property is registered in another's name, an implied or constructive trust is created by law in favor of the true owner. The action for reconveyance of the title to the rightful owner prescribes in 10 years from the issuance of the title. An action for reconveyance based on implied or constructive trust prescribes in ten years from the alleged fraudulent registration or date of issuance of the certificate of title over the property.

It is now well settled that the prescriptive period to recover property obtained by fraud or mistake, giving rise to an implied trust under Art. 1456 of the Civil Code, is 10 years pursuant to Art. 1144. This ten-year prescriptive period begins to run from the date the adverse party repudiates the implied trust, which repudiation takes place when the adverse party registers the land.<sup>[83]</sup>

From the foregoing, it is clear that an action for reconveyance under a constructive implied trust in accordance with Article 1456 does not prescribe unless and until the land is registered or the instrument affecting the same is inscribed in accordance with law, inasmuch as it is what binds the land and operates constructive notice to the world.<sup>[84]</sup> In the present case, however, the lands involved are concededly unregistered lands; hence, there is no way by which Margarita, during her lifetime, could be notified of the furtive and fraudulent sales made in 1992 by Roberto in favor of respondents, except by actual notice from Pedro himself in August 1995. Hence, it is from that date that prescription began to toll. The filing of the complaint in February 1996 is well within the prescriptive period. Finally, such delay of only six (6) months in instituting the present action hardly suffices to justify a finding of inexcusable delay or to create an inference that Margarita has allowed her claim to stale by laches.

WHEREFORE, the Petition is GRANTED. The October 13, 2006 Decision of the Court of Appeals in CA-G.R. CV No. 72371, affirming the July 2, 2001 judgment of the Regional Trial Court of La Union, Branch 33 in Civil Case No. 1031-BG, is REVERSED and SET ASIDE, and a new one is entered (a) directing the cancellation of the

tax declarations covering the subject properties in the name of Roberto D. Laigo and his transferees; (b) nullifying the deeds of sale executed by Roberto D. Laigo in favor of respondents Pedro Roy Laigo and Marilou Laigo; and (c) directing said respondents to execute reconveyance in favor of petitioner.

**SO ORDERED.**

Carpio,[\*] Velasco, Jr., (Chairperson), Brion,\*\*] and Sereno,\*\*\*]JJ., concur.

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[\*] Designated as an additional member in lieu of Associate Justice Roberto A. Abad, per Special Order No. 1059 dated August 1, 2011.

\*\*] Designated as an additional member in lieu of Associate Justice Jose Catral Mendoza, per Special Order No. 1056 dated July 27, 2011.

\*\*\*] Designated as an additional member, per Special Order No. 1028 dated June 21, 2011.

[1] Penned by Associate Justice Japar B. Dimaampao, with Associate Justices Marina L. Buzon and Regalado E. Maambong, concurring; rollo, pp. 43-54.

[2] Signed by Judge Rose Mary R. Molina Alim; id. at 173-181.

[3] Petitioner was later on substituted by the Estate of Margarita D. Cabacungan, represented by Luz Laigo-Ali.

[4] Estella Balagot's name was dropped from the subsequent pleadings filed with the trial court.

[5] Tax Declaration Nos. 12234 series of 1953, 34668 series of 1967 and 15052 series of 1953, records, pp. 216-218.

[6] Records, p. 2.

[7] Id. at 2-3, 8 and 215.

[8] Id. at 219-221.

[9] See Deed of Absolute Sale, id. at 9.

[10] See Deed of Sale of a Residential Land, and Deed of Sale of Portions of Land, id. at 10-11.

[11] Records, pp. 3-4.

[12] Id. at 5; TSN, February 9, 2000, pp. 8-9.

[13] See Compliant, records, pp. 2-5.

[14] Records, p. 6.

[15] Records, p. 33.

[16] These respondents initially submitted a Motion to Dismiss, but the trial court denied the same in its March 10, 1998 Order. See records, pp. 91-98, 116-119.

[17] See Answer, records, pp. 122-127.

[18] Records, p. 173.

[19] Id. at 179-182.

[20] Id. at 177-178.

[21] Id. at 288.

[22] Rollo, p. 178.

[23] Id. at 178.

[24] Id. at 179.

[25] Id. at 181.

[26] CA rollo, p. 223.

[27] Id. at 224-225.

[28] Id. at 226.

[29] Id. at 28.

[30] Cañez v. Rojas, G.R. No. 148788, November 23, 2007, 538 SCRA 242, 251; Tigno v. Court of Appeals, G.R. No. 110115, October 8, 1997, 280 SCRA 262, 271-272, citing Morales v. Court of Appeals, 274 SCRA 282 (1997).

[31] Article 1441, Civil Code of the Philippines states:

ART. 1441. Trusts are either express or implied. Express trusts are created by the intention of the trustor or of the parties. Implied trusts come into being by operation of law.

[32] Cañez v. Rojas, supra note 30, at 251-252, citing Buan Vda. de Esconde v. Court of Appeals, 323 Phil. 81, 89 (1996); Ringor v. Ringor, G.R. No. 147863, August 13, 2004, 436 SCRA 484, 497.

[33] Tigno v. Court of Appeals, supra note 30, at 271; 76 Am Jur 2d, §159, p. 191, citing Gifford v. Dennis, 335 SE2d 371; Sorrels v. McNally, 105 So 106; and Emberry Community Church v. Bloomington Dist. Missionary & Church Extension Soc., 482 NE2d 288.

[34] See Buan Vda. de Esconde, supra note 32, at 89, citing Philippine National Bank v. Court of Appeals, 217 SCRA 347 (1993); Cañez v. Rojas, supra note 30, at 252;

[35] Cañez v. Roxas, supra note 30, at 258; citing Heirs of Yap v. Court of Appeals, 371 Phil. 523, 531 (1999).

[36] Roa, Jr. v. Court of Appeals, G.R. No. L-27294, June 23, 1983, 123 SCRA 3, 15-16.

[37] 76 Am Jur 2d, §163, citing Martin v. Kehl (2<sup>nd</sup> Dist.), 145 Cal App 3d 228.

[38] Roa, Jr. v. Court of Appeals, supra note 36, at 16.

[39] 76 Am Jur 2d, §163, citing Martin v. Kehl (2<sup>nd</sup> Dist.), 145 Cal App 3d 228.

[40] Lopez v. Court of Appeals, G.R. No. 157784, December 16, 2008, 574 SCRA 26.

[41] Buan Vda. de Esconde, supra note 32, at 89-90.

[42] Salao v. Salao, G.R. No. L-26699, March 16, 1976, 70 SCRA 65, 81.

[43] 76 Am Jur 2d, §163, citing Martin v. Kehl (2<sup>nd</sup> Dist.), 145 Cal App 3d 228.

[44] Lopez v. Court of Appeals, supra note 40.

[45] *Roa, Jr. v. Court of Appeals*, supra note 36, at 15.

[46] Article 1442 incorporates and adopts a large part of the American law on trusts and thereby the Philippine legal system will be amplified and will be rendered more suited to a just and equitable solution of many questions. See *The Report of the Code Commission*, p. 60.

[47] 76 Am Jur 2d, §166, citing *McClure v. Moore*, 565 So 2d 8; *Western Union Te. Co. v. Shepard*, 169 NY 170.

[48] See 76 Am Jur 2d, §166, note 50 which cites *Jones v. Jones*, 459 P2d 603 and *Re Wilder*, 42 BR 6.

[49] Art. 1449. There is also an implied trust when a donation is made to a person but it appears that although the legal estate is transmitted to the donee, he nevertheless is either to have no beneficial interest or only a part thereof.

[50] *Rebillard v. Hagedorn*, 6 Conn App 355, 505 A2d 731.

[51] *Frame v. Wright*, 9 NW2d 364, 147 ALR 1154.

[52] 76 Am Jur 2d, §169, p. 201, citing *Smith v. Smith*, 196 So 409 and *Swon v. Huddleston*, 282 SW2d 18.

[53] *American Hotel Management Associates, Inc. v. Jones*, 768 F2d 562.

[54] See 76 Am Jur 2d, §170, p. 203.

[55] See 76 Am Jur 2d, §166, p. 197.

[56] Art. 1457. An implied trust may be proved by oral evidence.

[57] *Tigno v. Court of Appeals*, supra note 30, at 274; *Morales v. Court of Appeals*, 274 SCRA 282 (1997); *Ong Ching Po v. Court of Appeals*, 239 SCRA 341 (1994); *Salao v. Salao*, supra note 42, at 83, citing *De Leon v. Molo-Peckson*, 116 Phil. 1267 (1962).

[58] *Records*, pp. 2-3.

[59] *Id.* at 179-180.

[60] *TSN*, February 9, 2000, pp. 7, 8, 16, 17.

ATTY. LIBATIQUE:

Q: Madam witness, why do you know this transferor's affidavit?

WITNESS:

A: I was present when they signed, sir.

Q: Who signed this?

A: My mother, sir.

Q: And whom?

A: And Roberto Laigo, Jr., sir.

Q: You said you were present, whose signature appears under the name, Roberto Laigo?

A: Roberto Laigo, sir.

Q: Your brother?

A: My brother.

Q: x x x and the signature Margarita Laigo, whose signature is that?

A: My mother.

x x x x

Q: Madam witness, tell the court under what circumstances was that transferor's affidavit executed.

A: What do you mean?

Q: Under what circumstances?

A: He just borrowed it because he was going to the United States, he is going to show and he wants to use that as evidence that he owns land in the Philippines.

Q: What was the condition of that transfer, since you said you were present?

A: He will return it as soon as he will arrive (sic), and that was agreed upon, sir.

Q: Was Roberto able to go to America?

A: Yes, sir.

Q: And one of the evidence that was used x x x to secure a visa were these 3 tax declarations of properties?

A: Yes, sir.

Q: You said that (Roberto Laigo) promised to return these properties in the name of Margarita Laigo. How long did Roberto Laigo stay in America?

A: He did not stay long, sir.

Q: How long?

A: Maybe (3) to (4) months.

Q: And after he has returned from America, did he return the titles of these properties in the name of your mother?

A: We did not know about it because when we came to know (of) it, it was already sold and my mother was surprised to know that it was already sold.

Q: When did you come to know (of) it?

A: In 1995 when my brother died.

x x x x

Q: Earlier you said that you were aware of this transferee's affidavit x x x

A: Yes, sir.

Q: Did you act as witness in the transferee's affidavit?

A: No, I was there only, sir.

Q: So that is the reason why you have no signature x x x as witness?

A: Yes, sir.

x x x x

Q: Also, you said that the reason why this transferee's affidavit and the transferor's affidavit were executed was because your brother was going to the United States and he will return this transferee's affidavit when he comes back.

A: Yes, sir.

Q: Was that agreement put in writing?

A: No, sir.

Q: Why was it not put in writing?

A: He was my brother and we trusted him so much.

Q: Why did you not ask that your brother put it in writing so that he will not forget it?

A: Because of the trust we had with (sic) him, he was my brother and we trusted him.

Q: So you admit that there is no document in writing to show that that agreement was the actual agreement?

A: None, sir. (Emphasis supplied.)

[61] TSN, February 9, 2000, pp. 12-17.

[62] TSN, March 23, 2000, pp. 3-7.

Q: Do you know Margarita Laigo Cabacungan?

A: Yes, sir. I know her. She is the sister of my mother, Clara.

Q: Do you know how many children does she have (sic)?

A: There are three children namely: Luz Laigo, Roberto Laigo, and Paulina Laigo.

Q: Do you know the properties that are subjects of this case?

A: Yes, I know.

Q: Where are these properties located?

A: At Paringao and Baccuit.

Q: These properties in Paringao, where are these properties in relation to the Cresta Ola and the Mark Theresa Apartments? Are these properties near those sites?

A: Yes sir, they are very near each other.

Q: Now, do you know the subject properties, one of which is west of the national road and corner part of Cresta Del Mar?

A: Yes, I know it.

Q: Why do you know it?

A: Because the Cresta Del Mar and ours is the Cresta Ola, they are very near each other.

Q: What about the property east of the national road near the Mark Theresa Apartment, x x x where is this property?

A: It is east of the road x x x South of the Mark Theresa Apartment.

x x x x

Q: You said that these properties were owned by Margarita Laigo Cabacungan. Do you know how these properties were transferred to Roberto Laigo, Jr.?

A: I know it.

Q: Why do you know?

A: Because the papers were made by my brother, Jacinto Costales, in our house.

Q: When you say Jacinto Costales, is this the same person who was once a judge of Bagulin Trial Court?

A: Oh, yes!

Q: Where is he now?

A: He is already dead.

x x x x

Q: Now, will you tell the court why was this document (sic) executed by Margarita Laigo and Roberto Laigo.

A: When Roberto Laigo wanted to go to America, he has no properties in his name. That is why his mother lent him that document to show that he has properties in the Philippines, but after he goes to America those properties will go back to his mother.

x x x x

Q: How far is your house to that of Margarita Cabacungan?

Atty. Libatique: Your Honor, for the record, that is about from the town hall to that place four (4) kilometers x x I think that would be the approximate distance.

x x x x

Q: At the time (Jacinto Costales) was a judge and he executed this affidavit sometime in 1968, where were you if you still remember?

A: I was in the house of my brother (Jacinto).

Q: You [were] staying in just one house?

A: Yes, sir.

Q: And you said you were a witness to the execution of this transferee's affidavit?

A: Yes, sir.

Q: If you were a witness, do you remember if you signed a document which will show that you were a witness?

A: No, sir.

Q: You did not sign?

A: No, sir.

x x x x

Q: Earlier you said that you know for a fact that there was an agreement that Margarita Laigo signed this in favor of Roberto Laigo because Roberto Laigo at that time (was) going to the United States, and Roberto Laigo will be using this Transferee's Affidavit?

A: Yes, sir.

Q: Do you know, madam witness, if that was reduced into writing?

x x x x

A: That is a verbal agreement.

Q: How did you come to know that?

A: I was in the house.

Q: In the house of Margarita Laigo?

A: Yes, sir, because she is my auntie

Q: Are you still staying there full time in the house of Margarita Laigo?

A: Sometimes only.

x x x x

Q: So that means that sometimes, you were not there. It could be that Mrs. Laigo told Roberto Laigo that that was (his) property already.

A: No, it cannot be because Margarita Laigo has two daughters, Luz Laigo and Paulina Laigo.

Q: So that is your opinion?

A: Yes, sir. (Emphasis supplied.)

[63] 76 Am Jur 2d, §162, citing *Hocking v. Hocking*, 484 NE2d 406.

[64] *Spouses Rayos v. Reyes*, 446 Phil 32, 50 (2003), citing *Sales v. Court of Appeals*, 211 SCRA 858 (1992); *David v. Bandin*, G.R. Nos. L-48322, L-49712, L-49716 and 49687, April 8, 1987, 149 SCRA 140, 150.

[65] *Canezo v. Rojas*, supra note 30, at 257.

[66] Art. 1144. The following actions must be brought within ten years from the time the right of action accrues:

- (1) Upon a written contract;
- (2) Upon an obligation created by law;
- (3) Upon a judgment.

[67] *Heirs of Maria Vda. de Vega v. Court of Appeals*, G.R. No. 93507, July 12, 1991, 199 SCRA 168, 177; *Tale v. Court of Appeals*, G.R. No. 101028, April 23, 1992, 208 SCRA 266.

[68] *Pilapil v. Briones*, G.R. No. 150175 (Resolution on the Motion for Reconsideration), February 5, 2007, 514 SCRA 197; *Canezo v. Rojas*, supra note 30, at 252-253; *Ramos v. Ramos*, 158 Phil. 935 (1974).

[69] Decision of the Municipal Trial Court of San Fernando, La Union, Branch I in SP. PROC. No. 193, CA rollo, pp. 363-365.

[70] Decision of the Court of Appeals in CA-G.R. SP No. 36220, id. at 371-378.

[71] See *Adaza v. Court of Appeals*, 253 Phil. 364, 376 (1989).

[72] Id.

[73] 175 Phil. 343 (1978).

[74] See 76 Am Jur §292, p. 306

[75] See 76 Am Jur §292, pp. 306-307

[76] See 76 Am Jur §297, pp. 311-312.

[77] Art. 1456. If property is acquired through mistake or fraud, the person obtaining it is, by force of law, considered a trustee of an implied trust for the benefit of the person from whom the property comes.

[78] 497 Phil. 788, 799 (2005).

[79] Supra note 32.

[80] *Aznar Brothers Realty Co. v. Aying*, supra note 78, at 799-800.

[81] *Buan Vda. de Esconde v. Court of Appeals*, supra note 32; *Aznar Brothers Realty Co. v. Aying*, id.

[82] 516 Phil. 743 (2006) .

[83] Id. at 753, citing *Austria-Magat v. Court of Appeals*, 426 Phil. 263, 278 (2002) (Emphasis supplied.); *Pascual v. Court of Appeals*, G.R. No. 115925, August 15, 2003, 409 SCRA 105, 113; *Spouses Alfredo v. Spouses Borrás*, 452 Phil. 178, 204 (2003) ; *Vda. de Delgado v. Court of Appeals*, 416 Phil. 263, 274 (2001); *Villanueva-Mijares v. Court of Appeals*, 386 Phil. 555, 566 (2000).

[84] Spouses Abrigo v. De Vera, 476 Phil. 641, 653 (2004).

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